CANADA - MANITOBA
Crop Insurance

Annual Report
1988 - 89

Manitoba
Crop Insurance
Corporation

*For the year ending March, 1989

Agriculture
Canada

Manitoba
Agriculture

91-01315/

Minister of Agriculture

Room 165, Legislative Building
Winnipeg, Manitoba, Canada
R3C 0V8

The Honourable George Johnson
Lieutenant-Governor of Manitoba
Room 235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

I have the privilege of presenting for the information of Your Honour, the Annual Report of Manitoba Crop Insurance Corporation for the fiscal year ending March 31, 1989.

Respectfully submitted,

Glen M. Findlay
Minister

CANADA - MANITOBA
Crop Insurance

Manitoba Crop Insurance Corporation
3rd Floor
25 Tupper Street, North
Portage la Prairie, Manitoba
R1N 3K1

Telephone: (204) 857-9711
FAX: (204) 239-1895

Refer to:

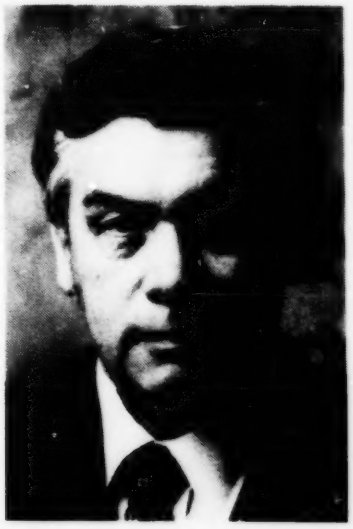
The Honourable Glen M. Findlay,
Minister of Agriculture,
165 Legislative Building,
Winnipeg, Manitoba.
R3C 0V8

Dear Sir:

Presented herewith is the Twenty-Ninth Annual Report of Manitoba Crop Insurance Corporation for the fiscal year ended March 31, 1989.

Respectfully submitted,

J. Clay Gilson
Chairperson
Board of Directors



Agriculture Canada

Manitoba Agriculture
Crop Insurance Corporation

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Board of Directors

D.E. Brown, Chairperson
W.D. Sloane, Vice-Chairperson
M.J. Sotas
N.H. Humunicki
(April 1, 1988 - August 2, 1988)

J.C. Gilson, Chairperson
D.G. Harkness, Vice-Chairperson
P.A. Gaultier
H.E. Tolton
S.M. Van De Velde
(Board appointed August 3, 1988)

OFFICERS

H.R. Nelson, B.S.A., M.Sc.,
General Manager
(March 20, 1989)
D.E. Forsberg, B.S.A., M.Sc.,
Assistant General Manager and
Director of Field Division
M.J. Gagne, C.M.A.,
Director of Finance and Administration
Director of Research & Planning - Vacant
J.B. Hughes, LL.B., Q.C.,
Legal Counsel

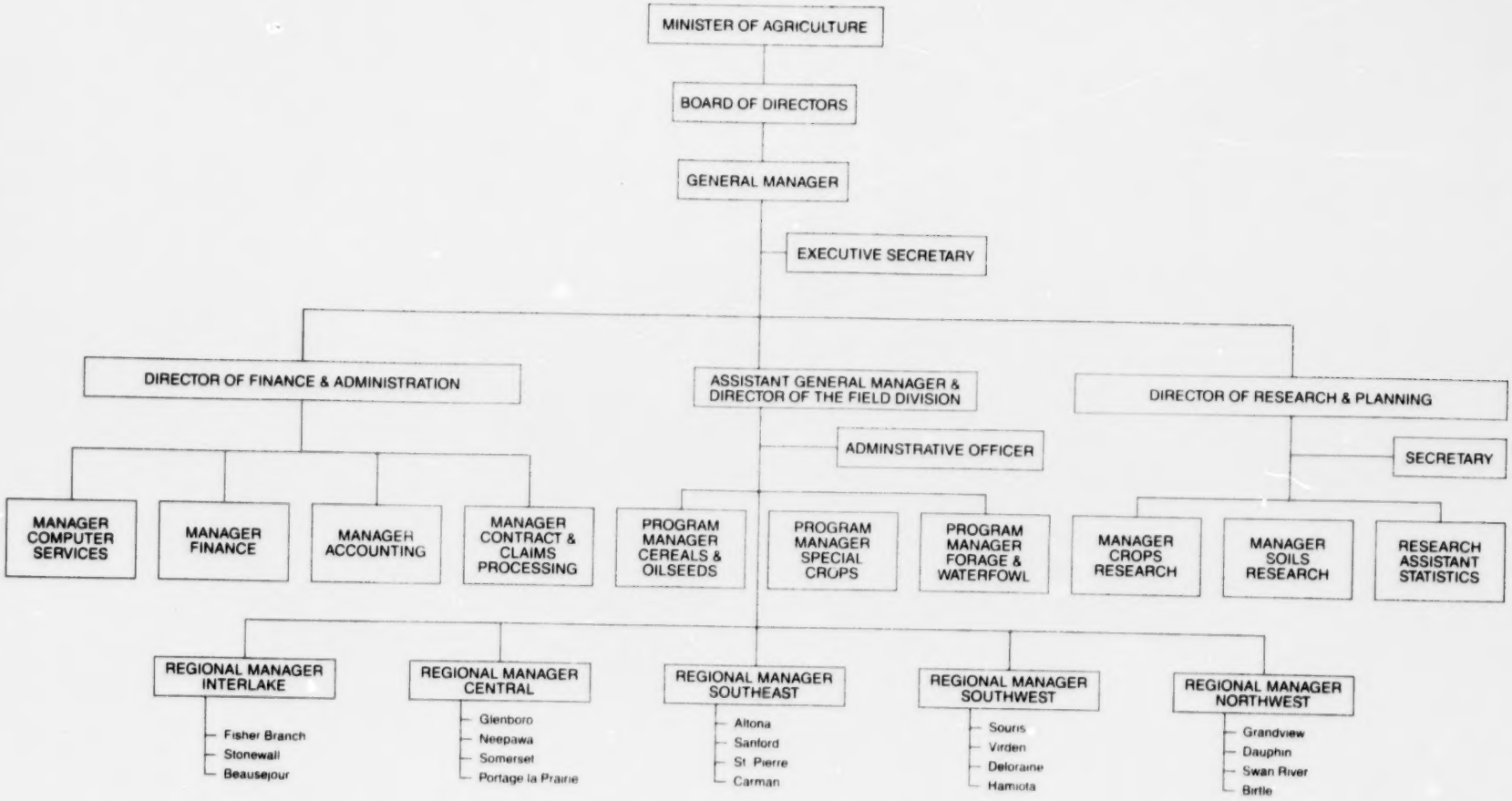
Objectives

1. To provide an opportunity to Manitoba farmers to protect their cash investment in their seeded crops from all uncontrollable natural hazards, thereby stabilizing the income of insured farmers in years when they suffer a crop loss and stabilizing the income of the entire rural economy in years when widescale crop loss occurs.
2. To provide an opportunity to Manitoba livestock producers in designated municipalities to protect their investment in their livestock operation in those years when hay crops are poor due to uncontrollable natural hazards.
3. To provide additional hail insurance coverage on a spot loss basis as a service to farmers enrolled in the all risk program.
4. To provide a loss adjusting service to the Department of Natural Resources which administers a compensation program for farmers who suffer crop losses due to certain species of wildlife and to administer a compensation program, on behalf of the Canada and Manitoba Governments, to farmers who suffer crop losses due to migratory waterfowl.

Board Meetings

Twelve meetings of the Board of Directors were held.

Organization Chart — Manitoba Crop Insurance Corporation



Financial Contributions by Governments of Canada and Manitoba

The Government of Canada provides financial assistance to the Canada-Manitoba Crop Insurance Program by contributing 50 per cent of the total premium required each year. The Federal Government's contribution to this program totalled $20,668,088 for the 1988/89 fiscal year.

The Government of Manitoba contributes all of the administration costs, which totalled $5,551,738 for the 1988/89 fiscal year.

1988 Crop Conditions

Despite subsoil moisture conditions in April which varied from adequate to good, and near normal to above normal rainfall in April, seeding was not general in Manitoba until early May. The northwestern region was very wet in April and the central region very dry.

By the end of April surface soil conditions were very dry in the interlake, eastern and central regions with substantial areas subject to soil erosion. Flooding occurred in the Swan River area in early May with substantial water erosion on a localized basis. There was a widespread frost in mid-May in the central and eastern regions with some reseeding of oilseeds and sugar beets.

There was a drastic change in weather from early May to June with hot, dry and windy conditions across the province. Southern Manitoba was most severely affected, with both topsoil and subsoil moisture conditions deteriorating from fair to poor in most of this area. By June 10, cereal crops were in fair condition and oilseeds fair to poor in most regions. Hay and pasture conditions were mostly poor. Grasshopper damage was severe particularly in the central region.

By early July the drought had taken its toll in Manitoba, particularly in the southern areas. Early crops had little chance for recovery and most crops (including forage) were still rated in fair to poor condition. Swathing of fall rye had already begun, and some cereal fields were being cut for greenfeed. First cut forage yields were estimated to be 40-45 per cent of normal on a provincial basis.

By mid-July there was some rain throughout the province. Most crops, particularly the cereals and oilseeds were too far advanced to benefit from the additional moisture. There was a severe hail storm in late July in the central and eastern regions.

Harvesting of fall rye and winter wheat had started by the first week of August and swathing of canola was underway in the southwest, central and eastern regions. By mid-August most of the cereals had been combined in the central region with average yields of wheat being in the 10-15 bushels per acre range. Harvesting in the northwest region was much further behind but early yield estimates were in the 35 - 45 bushels per acre range.

Diamondback moth larvae were posing considerable problems in canola fields. Weeds were more of a problem than usual, particularly in the dry southern area of the province and some herbicides were not as effective under the hot dry conditions as they normally would be.

Although yields were down dramatically throughout most of the province, the average grades of cereals and oilseeds were above normal.

The fall topsoil and subsoil moisture conditions were rated as poor in most of the province, except for topsoil conditions in the Dauphin and Swan River areas. The fall hay and pasture conditions rated fair at best with most of the province rating poor.

Monthly Summary of Precipitation

April - October 1988

	1. Western Manitoba	2. West Red River Valley	3. East Red River Valley	4. Interlake	Dauphin	Swan River
Number of Days with at Least a Trace of Precipitation						
April	5.8	6.8	2.0	6.3	11.0	10.0
May	11.8	11.3	9.8	13.0	18.0	18.0
June	9.3	9.0	8.5	10.7	10.0	8.0
July	9.0	12.8	8.8	13.3	13.0	11.0
August	9.8	9.3	8.8	12.0	8.0	11.0
September	8.0	13.5	9.0	10.7	11.0	12.0
October	7.0	10.5	6.8	8.7	10.0	7.0
Total Precipitation in Millimeters						
April	7.4	1.2	1.8	12.1	31.1	92.4
May	76.7	36.2	41.5	52.6	122.2	78.8
June	30.8	49.7	33.0	52.5	28.3	32.0
July	67.5	74.9	118.6	72.0	54.6	30.4
August	53.5	26.0	45.9	31.6	68.7	81.8
September	62.8	49.5	52.3	44.0	33.2	42.0
October	11.3	28.2	33.0	20.3	19.0	24.8
Percentage of Normal Precipitation						
April	23.0	2.8	4.5	33.7	97.0	405.0
May	198.3	57.3	64.5	105.0	258.0	187.0
June	45.7	64.3	40.3	64.3	33.0	42.0
July	105.5	100.3	151.0	85.3	85.0	44.0
August	82.3	40.3	62.8	46.0	110.0	124.0
September	132.8	96.5	91.5	75.7	56.0	78.0
October	n/a	n/a	n/a	n/a	n/a	n/a
Average Monthly Temperature Difference from Normal in Degrees Celsius						
April	2.2	1.8	1.6	1.7	2.1	1.3
May	2.8	2.5	3.3	2.8	2.3	2.8
June	5.4	2.9	4.3	4.8	4.8	4.9
July	0.8	1.2	2.0	1.4	1.0	1.1
August	0.7	1.4	1.6	1.3	0.6	0.5
September	– 0.2	0.2	0.0	0.1	0.2	0.5
October	n/a	n/a	n/a	n/a	n/a	n/a

NOTES

1. Average of four Climatological Stations: Brandon C.D.A., Hamiota, Birtle, Pierson.
2. Average of four Climatological Stations: Portage la Prairie A, Morden C.D.A., Morris, Winnipeg International Airport.
3. Average of four Climatological Stations: Emerson, Sprague, Steinbach, Beausejour.
4. Average of three Climatological Stations: Ashern, Arborg, Gimli.

All Risk Program Features

Crops Insured:

Red spring wheat, utility wheat, amber durum wheat, winter wheat, oats, barley, mixed grain, fall rye, buckwheat, flax, rapeseed, sunflowers, mustard, field peas, grain corn, sugar beets, potatoes, fababeans, lentils, canaryseed, field beans, triticale, silage corn, soybeans, pedigreed alfalfa seed and pedigreed alfalfa seed with seedling establishment option, pedigreed timothy seed and pedigreed timothy seed with seedling establishment option, cultivated forage for hay production and forage hay establishment option, honey, and vegetable crops including onions, carrots, parsnips and rutabagas.

Designated Perils:

Drought, excessive moisture, excessive rainfall, flood, frost, hail, excessive heat, wind (including tornado), disease (including rust), and pests.

Options:

(a) **Hail Spot Loss** — enables the All Risk coverage to be paid out on a spot loss basis ragardless of the yield on the rest of that field or other fields. Coverage must be selected on or before April 30, and covers only those insurable crops selected by the Insured for All Risk coverage. Coverage per acre is limited to the All Risk coverage as determined by the insured's Seeded Acreage Report. The premium is shared by the Government of Canada.

(b) **Unseeded Acreage Insurance** — covers loss from failure to seed land because of excess moisture.

(c) **Seedling Establishment Option** — forage crops which are seeded for hay production and insured under the forage crop program can be protected against failure to establish due to natural hazards in the seedling year. A separate option applies for establishing alfalfa or timothy for seed production.

Additional Hail Insurance

Is available to All Risk contract holders on any or all of the 28 insurable crops. Premium rates are based on crop insurance risk areas rather than on a township basis, thereby providing a more stable rate for the entire area. Coverage can be selected at any time during the growing season. Insured farmers pay all the premium and administration costs of this program.

Productivity Index:

Basic coverage in tonnes per acre is determined on the basis of soil productivity. Since variability increases as soil productivity decreases, the same basic premium is charged for all soils in a risk area. This results in an appropriate premium rate for each soil type.

Risk Areas:

Manitoba has been divided into fifteen areas of similar risk on the basis of climate, soils, topography and history of crop production. In crops where adequate information exists, premium rates are established on a risk area basis.

Individual Coverage Adjustment:

Coverage is adjusted on an individual basis according to each farmer's own crop insurance record. Newly insured farmers are assigned the basic risk area average coverage for the particular soil zones on which they operate. If a farmer has infrequent or small losses it is assumed he has above average yields and coverage is adjusted upwards. Alternately, high losses on a consistent basis will result in the farmer's coverage either remaining at basic or being adjusted downwards.

Premium Discounts and/or Surcharges

Premium discounts are handled similar to coverage. Favorable experience, as indicated by no losses or infrequent or small losses, result in premiums being discounted by as much as 25 per cent. Unfavorable experience, as indicated by consistent and high losses, result in premiums being surcharged by as much as 25 per cent. Insured farmers with high discounts (up to 50 per cent) under the previous discount system retain their discount until they: have a claim, move to a higher discount on the new system, or until they cancel their existing contract.

Coverage Increases in Stages:

With the exception of potatoes, sugar beets and vegetables, coverage applies in two stages. Crops destroyed or damaged prior to June 25 in southern regions (Rapeseed and Buckwheat Area A) and prior to June 20 in northern and eastern regions (Rapeseed and Buckwheat Area B) are covered at 50 per cent of full coverage. After June 25, in southern regions (Rapeseed and Buckwheat Area A) and June 20 in northern and eastern regions (Rapeseed and Buckwheat Area B), crops are covered at 100 per cent of full coverage. Vegetable and potato coverage increases in three stages while sugar beet coverage increases in four stages to correspond with increased cash investments made by the producer.

Reseeding Benefit:

This benefit was introduced to compensate the insured farmer for having to reseed due to an insurable hazard. With the exception of sugar beets and vegetable crops, the farmer can receive 25 per cent of the full coverage on the originally seeded crop, provided that the parcels of land are at least 20 acres in size. The original crop must be destroyed and the reseeded crop must be eligible for and covered by crop insurance. Sugar beets qualify for 15 per cent of full coverage on parcels of 20 acres or more. For vegetable crops, the reseeding benefit is based on the reseeded crop.

Crop Adjustments:

Claims for individual crops are adjusted separately. Insured farmers receive indemnity payments based on the difference between their coverage and the amount of harvested production. If applicable, harvested production is discounted if the crop is of poor quality.

If all the crop is lost prior to harvesting, the claim can be finalized immediately. If only part of the crop is damaged and the farmer wishes to put the land to another use, the acres to be destroyed will be appraised to determine the production still remaining on those acres. Once the remaining crop has been harvested, the appraised production on the destroyed acres are combined with the harvested production to determine if a claim is payable.

Landlord Insurance:

Crop insurance is available to a landlord who rents on a crop share basis. The tenant must also be insured.

Optional Dollar Values Available:

Insured farmers have the option of selecting between one of two different dollar values for each tonne of coverage per acre. This allows producers to tailor their coverage more closely to their individual coverage requirements.

Enhanced Coverage:

This feature was introduced in 1987 to compensate farmers for successive losses. When losses in a risk area equal two times or more the total premium income for that risk area, coverage is increased from 70 per cent of the average yield to 80 per cent of the average yield the following year for all Insureds in that risk area who were insured during the year the losses occurred.

Quality Guarantee:

If the grade of the farmer's harvested crop is below the guaranteed grade for that crop, the harvested yield is factored downward in proportion to the difference in value of the harvested grade and the guaranteed grade.

The guaranteed grades for the insurable crops are set out in the following table "1988 M.C.I.C. All Risk Insurable Crops and Options".

Honey Insurance Program:

The Honey Insurance Program is offered under a separate contract and was introduced in order to compensate honey producers for crop losses due to uncontrollable natural hazards. Beekeepers registered under the Bee Act who maintain a minimum of fifty colonies are eligible for the insurance.

Individual coverage is offered on the basis of 70 per cent of the 10 year average individual honey yield. In cases where no individual yield records are available, 70 per cent of the 10 year average provincial yield will be used to establish coverage.

1988 M.C.I.C. All Risk Insurable Crops and Options

Insurable Crops	Final Seeding Date	Guaranteed Grade	Dollar Option/t. Low	Dollar Option/t. High
Barley	June 20	#1 C.W.	$ 60	$ 60
Buckwheat	June 20 Area "B"	#3 Canada	200	250
	June 25 Area "A"			
Canaryseed	June 10	Less than 4% Hulled	190	200
Corn - Grain	May 25 Area "B"	#3 C.W.	100	100
	June 1 Area "A"			
- Silage	June 10	35% Dry Matter	15	18
Fababeans	May 25	#3 Canada	145	145
Fall Rye - 88	Sept 25/87	#1 C.W.		60
Field Peas	June 10	#3 Canada	160	160
Field Beans		#1 Canada	300	375
- White	June 1 Area "B"			
	June 5 Area "A"			
Black & Pinto	June 5 Area "A"	#2 Canada		
Flax	June 20	#1 C.W.	185	200
Lentils	June 1	#2 Canada	250	250
Mixed Grain	June 20	55 kg/hl	60	60
Mustard	June 20	#1 Canada	225	225
Oats	June 20	#3 C.W.	60	60
Potatoes		Marketable Prod.	70	80
- maturing late	June 5			
- maturing early	June 15			
Rapeseed		#1 Canada	225	240
Argentine	June 10 Area "B"			
	June 15 Area "A"			
- Polish	June 20 Area "B"			
	June 25 Area "A"			
Soybeans	June 1	#2 Canada	250	250
Sugar Beets	June 15	125 kg/t	30	35
Sunflowers	June 10	#1 Canada	200	200
Triticale	June 10	#2 Canada	110	110
Wheat -				
Red Spring	June 20	#2 C.W.R.S.	100	110
Amber Durum	June 20	#3 C.W.A.D.	115	115
Utility	June 20	#1 C.W.U., #1 C.P.S.	80	90
Winter - 88	Sept 15/87	#2 C.W.R.W.	85	85

Insurable Options

	Final Seeding Date	Guaranteed Grade	Dollar Option/* Low	High
Hail Spot Loss:				
Unseeded Acreage:				
Soil Zones A-H			$ 20	$ 25
Soil Zones I-J			15	20
Honey Production:			800	900
Vegetable Crops:				
Rutabagas	June 25	Marketable Prod	85	115
Cooking Onions	June 1	Marketable Prod	100	120
Carrots	June 15	Marketable Prod	80	100
Parsnips	June 5	Marketable Prod	160	200

Cultivated Forage for Hay: - 1988	**Low**	**Medium**	**High**
Alfalfa, Alfalfa Grass Mixture, Grasses, Sweet Clover	35	40	45

Forage Seed Production:			
Pedigreed Alfalfa Seed	% Germ 70 or more	1300	1500
Pedigreed Timothy Seed	% Germ 70 or more	430	500

Forage Hay Establishment:	**Low**		**High**	
	A**	**B*****	**A****	**B*****
Alfalfa	15.00	30.00	20.00	40.00
Alfalfa Grass Mixtures	10.00	20.00	15.00	30.00
Grasses (Spring Seeded)	10.00	20.00	15.00	30.00
Grasses (Fall Seeded)	10.00	20.00	15.00	30.00
Sweet Clover	5.00	10.00	7.50	15.00
Pedigreed Seed Establishment:				
Timothy (Spring Seeded)	15.00	30.00	20.00	40.00
Timothy (Fall Seeded)	15.00	30.00	20.00	40.00
Alfalfa Seed	15.00	30.00	20.00	40.00

Livestock Feed Security:	**Dollar Coverage Per Animal**								
Dairy Cows	60	80	100	120	140	160	180	200	220
Beef Cow (Including Bison)	60	80	100	120	140	160	180	200	220
Bulls (Including Bison)	60	80	100	120	140	160	180	200	220
PMU Horses	60	80	100	120	140	160	180	200	220
Steers & Heifers (Including Bison)	60	80	100	120					
Sheep	20	40	60						
Goats	20	40	60						

* - $ per acre in all cases except Honey & Cultivated Forage for Hay which is $/tonne and Livestock Feed Security which is $ coverage per animal.

A** - Seeded with a Companion Crop.

B*** - Seeded without a Companion Crop.

Canada-Manitoba Livestock Feed Security Program

The Livestock Feed Security Program was available in 1988 in all Rural Municipalities and Local Government Districts in Manitoba.

An all province premium rate of 12% was calculated. The farmer premium rate was 6% with the Federal Government providing financial assistance to the program by contributing an amount equal to the insured farmer's premium. The Province provided for all administration costs.

Ten year average base yields were calculated for each municipality for alfalfa, alfalfa-grass mixtures and grasses. Native hay comparisons were made on a farmer by farmer basis. The total hay production from at least five producers in each municipality was measured and average yields per acre were calculated. All hay yields were adjusted for quality using a Relative Feed Value (RFV) determination from each forage field sampled.

1988 was a poor year for forage production in much of Manitoba with 84 out of 123 Rural Municipalities and Local Government Districts in a payout position.

There were 1,983 livestock producers insured with a total premium, including the Federal Government share of $2,356,171. The total dollar coverage was $19,634,760 with a dollar payout of $7,833,003.

Canada-Manitoba Waterfowl Crop Damage Compensation Program

The Canada-Manitoba Waterfowl Crop Damage Compensation Program is a program to reduce income losses to Manitoba farmers caused by migratory waterfowl damaging crops. Compensation is provided on most crops eligible for coverage under the All Risk Crop Insurance Program.

The Government of Canada and the Government of Manitoba provide equal financial support to the operation of the Canada-Manitoba Waterfowl Crop Damage Compensation Program. Under the agreement covering the program, the maximum payment that could be made in Manitoba in 1988/89 was $498,150.

Manitoba

Manitoba Crop Insurance Corporation

Report of The Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C and Schedules 1 and 2, of the Manitoba Crop Insurance Corporation for the fiscal year ended March 31, 1989. Our examaination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

June 16, 1989
Winnipeg, Manitoba.

F.H. Jackson, CA,
Provincial Auditor.

Exhibit A

Manitoba Crop Insurance Corporation

Balance Sheet

As at March 31, 1989

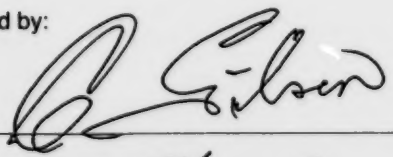
Assets

	1989	1988
Cash on deposit with the Minister of Finance and in bank	$ 4,043,107	$ 4,547,192
Term deposits with the Minister of Finance (Note 3)	6,700,000	4,000,000
Accrued Interest on term deposits	83,048	31,089
Premiums receivable, net of allowance for doubtful accounts of $702,501 (1988 - $714,515):		
Due from insured persons	460,190	993,888
Accrued interest	61,222	60,736
Amount receivable from Reinsurance Fund of Manitoba (Note 4)	30,914,342	884,855
Amount receivable from Reinsurance Fund of Canada for Manitoba (Note 4)	63,045,639	—
Accounts receivable - Government of the Province of Manitoba	3,188	1,177
Accounts receivable - other	1,789	2,090
Prepaid expenses	23,215	14,254
	$105,335,740	$ 10,535,281

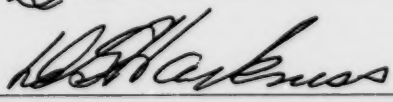
Liabilities and Reserves

	1989	1988
Reinsurance premiums payable (Note 4):		
Government of Canada	$ 218,609	$ 194,012
Government of the Province of Manitoba	437,218	388,023
Advance from the Government of the Province of Manitoba (Note 6)	95,300,000	4,000,000
Indemnities payable	1,370,454	343,526
Other account and program payables	332,264	240,990
Premiums collected in advance	563,780	232,545
	98,222,325	5,399,096
Reserves for the Payment of Indemnities:		
General Crop Insurance, Exhibit B	—	—
Hail Insurance, Exhibit C	7,113,415	5,136,185
	$105,335,740	$ 10,535,281

Approved by:



Director



Director

Exhibit B

Manitoba Crop Insurance Corporation
General Crop Insurance

Statement of Revenue, Expenditure and Reserve for the Payment of Indemnities

for the year ended March 31, 1989

	1989	1988
Revenue:		
Premiums:		
Insured persons	$ 20,366,686	$ 17,821,083
Government of Canada (Note 2(B))	20,668,088	19,367,009
	41,034,774	37,188,092
Filing fee	2,261	2,630
Administrative expenses recovered from the Government of the Province of Manitoba Schedule 1 (Note 2(C))	5,551,738	4,318,202
Interest on cash balances and outstanding premiums	108,885	209,070
Total revenue	46,697,658	41,717,994
Expenditure:		
Administrative expenses, Schedule 1 (Note 2(C))	5,551,738	4,318,202
Reinsurance premiums (Note 4):		
Government of Canada	3,100,213	2,904,992
Government of the Province of Manitoba	6,200,545	5,809,984
Discounts	11,135	14,772
Indemnities	125,728,793	29,414,229
Bad debts	65,215	140,670
Total expenditure	140,657,639	42,602,849
Revenue under expenditure	93,959,981	884,855
Reserve for the payment of indemnities:		
Beginning of year	—	—
Recoverable from Reinsurance Fund of Manitoba, (Note 4)	30,914,342	884,855
Recoverable from Reinsurance Fund of Canada for Manitoba (Note 4)	63,045,639	—
End of year, Exhibit A	$ —	$ —

Exhibit C

Manitoba Crop Insurance Corporation
Hail Insurance

Statement of Revenue, Expenditure and Reserve for the Payment of Indemnities

for the year ended March 31, 1989

	1989	1988
Revenue:		
Premiums charged to insured persons at established rates	$ 5,866,182	$ 6,645,530
Interest on funds invested with the Minister of Finance and outstanding premiums	720,885	366,288
Total revenue	6,587,067	7,011,818
Expenditure:		
Administrative expenses, Schedule 2 (Note 2(C))	870,177	837,653
Indemnities	3,738,553	2,822,271
Bad debts	1,107	42,022
Total expenditure	4,609,837	3,701,946
Revenue over expenditure	1,977,230	3,309,872
Reserve for the Payment of Indemnities:		
Beginning of year	5,136,185	1,826,313
End of year, Exhibit A	$ 7,113,415	$ 5,136,185

Schedule 1

Manitoba Crop Insurance Corporation
General Crop Insurance

Statement of Administrative Expenses

for the year ended March 31, 1989

	1989	1988
Adjusters' wages and expenses	$ 2,301,619	$ 1,197,548
Administration and field in-service training	20,756	36,991
Advertising	53,726	25,642
Appeal tribunal	2,982	6,418
Audit fee	19,373	22,792
Computer equipment, rental and usage	113,228	177,331
Directors' remuneration and expenses	20,773	21,374
District offices' rentals and miscellaneous	72,102	52,351
Employee benefits	182,670	145,376
Employer share of pensions (Note 2(D))	65,599	59,562
Furniture and equipment purchases (Note 2 (E))	41,265	122,892
Health and Post Secondary Education Tax Levy	77,373	62,352
Legal fees	18,594	25,797
Miscellaneous	35,905	32,926
Office equipment rentals	11,836	10,880
Postage	26,815	26,664
Printing, stationery and office supplies	142,756	117,821
Salaries	2,084,388	1,948,788
Special studies	600	1,957
Telephone	65,888	45,910
Travel	146,530	145,789
Workers' compensation	46,960	31,041
Total administrative expenses, Exhibit B	$ 5,551,738	$ 4,318,202

Schedule 2

Manitoba Crop Insurance Corporation
Hail Insurance

Statement of Administrative Expenses

for the year ended March 31, 1989

	1989	1988
Adjusters' wages and expenses	$ 92,037	$110,539
Administration and field in-service training	5,189	9,248
Advertising	11,379	7,184
Appeal tribunal	745	1,605
Audit fee	4,843	2,533
Computer equipment, rental and usage	28,307	44,333
Directors' remuneration and expenses	5,193	5,344
District offices' rentals and miscellaneous	14,024	13,027
Employee benefits	45,668	36,344
Employer share of pensions (Note 2(D))	16,400	14,890
Furniture and equipment purchases (Note 2 (E))	964	1,697
Health and Post Secondary Education Tax Levy	19,343	15,588
Legal fees	4,178	4,102
Miscellaneous	8,976	8,231
Office equipment rentals	2,959	2,720
Postage	6,704	6,675
Printing, stationery and office supplies	30,833	26,179
Salaries	513,654	477,550
Telephone	16,472	11,528
Travel	30,569	30,576
Workers' compensation	11,740	7,760
Total administrative expenses, Exhibit C	$870,177	$837,653

Manitoba Crop Insurance Corporation

Notes to Financial Statements

March 31, 1989

1. **Authority**

The Manitoba Crop Insurance Corporation is incorporated under a specific Statute of the Province of Manitoba.

2. **Significant Accounting Policies**

(A) ***Programs***

The Corporation operates general crop and hail insurance programs for Manitoba farmers and accounts for these programs separately.

The Corporation is also responsible for the administration of various agricultural-related programs on behalf of the Governments of the Province of Manitoba and Canada. The funds received by the Corporation to administer these programs are netted against expenditures. The operations of these programs are disclosed in the notes to the financial statements.

(B) ***Premiums***

The Corporation recognizes as revenue all premiums earned on crop policies in force during the year. An agreement between the Governments of the Province of Manitoba and Canada provides for the matching by Canada on a cash basis, of insurance premiums collected from insured persons under the General Crop Insurance Program. The matching portion from Canada is shown as revenue. The insurance premium rates are adjusted annually on a basis of a breakeven position being maintained over 10 to 25 years of crop loss experience.

(C) ***Administrative Expenses***

The agreement between the Governments of the Province of Manitoba and Canada, referred to in section (B) of this note, also stipulates that all administrative expenses relating to the General Crop Insurance Program will be met by the Government of the Province of Manitoba. Certain of these costs are common to both the General Crop Insurance Program and the Hail Insurance Program and are allocated on a basis approved by the Corporation's Board of Directors. Administrative expenses relating to the Hail Insurance Program have been met by insured farmers, except for the unfunded pension provision shown in Note 2 (D). The Corporation's head office and certain of its field office accommodations are provided by the Government of the Province of Manitoba at no charge to the Corporation and, accordingly, are not reflected in these financial statements.

(D) ***Pensions***

In accordance with the provisions of The Manitoba Civil Service Superannuation Act, the Corporation contributes 50% of the pension disbursements made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded provision for the Corporation's employees amounted to the following:

	Unfunded Pension Provision	
	December 31, 1988	December 31, 1987
General crop insurance	$1,614,785	$1,407,560
Hail insurance	403,696	351,890
Total	$2,018,481	$1,759,450

(E) ***Fixed Assets***

Furniture and equipment purchases are charged to operations in the year of acquisition.

3. **Term Deposits**

The Minister of Finance has invested, on behalf of the Corporation, $6,700,000 received from the Corporation on account of The Hail Insurance Program.

4. **Reinsurance Funds — General Crop Insurance**

In accordance with the terms of a reinsurance agreement between the Governments of the Province of Manitoba and Canada and the Corporation, the Corporation is liable for reinsurance premiums to the Crop Reinsurance Fund of Manitoba and the Crop Reinsurance Fund of Canada for Manitoba, based on premiums collected plus the matching portion paid by the Government of Canada. When indemnities are in excess of the Corporation's reserve and certain other conditions are met, payments are made from the Crop Reinsurance Funds to the Corporation. Interest is neither credited nor charged to the Funds by Manitoba or Canada.

The changes in the Crop Reinsurance Funds, on a cash basis, for the fiscal year ended March 31, 1989 were as follows:

	Crop Reinsurance Funds	
	Manitoba	Canada for Manitoba
Balances, March 31, 1988	$ 8,886,330	$34,261,699
Add:		
Reinsurance premiums	6,151,351	3,075,616
	15,037,681	37,337,315
Deduct:		
Payments on account of indemnities	884,856	—
Balances, March 31, 1989	$14,152,825	$37,337,315

When taking into account the reinsurance premiums payable to and the amounts receivable from the Crop Reinsurance Funds, as shown on the balance sheet, the position of the two Funds on an accrued basis as at March 31, 1989, is a deficit of $16,324,229 for Manitoba and a deficit of $25,489,714 for Canada for Manitoba.

5. **Deficits in Reinsurance Funds**

Deficits in the Crop Reinsurance Funds are funded by advances from Manitoba and Canada, which are repayable when there is a surplus in the Reserve for the Payment of Indemnities. The accumulated deficits for the year ended March 31, 1989 are as follows:

	Accumulated Deficits	
	Manitoba	Canada for Manitoba
Balances, March 31, 1988	$ 1,374,319	$ —
Add:		
Current Year	16,324,229	25,489,714
Balance, March 31, 1989	$17,698,548	$25,489,714

6. **Advance from the Government of the Province of Manitoba**

When necessary, there is a provision for the Corporation to receive interest free working capital advances. The advances received to date are on account of the General Insurance Program.

7. **Other Programs**

(A) The Corporation administers the Canada-Manitoba Waterfowl Crop Damage Compensation Program. This program is cost shared between Canada and Manitoba (50/50) and Canada's share of the expenditures is remitted directly to the Province. For the fiscal year ended March 31, 1989, the related transactions are as follows:

Receipts:	
Expenditures recovered from the Government of the Province of Manitoba	$113,075
Expenditures:	
Indemnities	99,119
Administrative expenses	13,956
	113,075
Balance, March 31, 1989	$ —

(B) The Corporation also administers section 89(E) of The Wildlife Act as it applies to compensation for damage to crops caused by migratory waterfowl. Compensation payments are paid entirely by Manitoba. For the fiscal year ended March 31, 1989, the related transactions are as follows:

Receipts:	
Expenditures recovered from the Government of the Province of Manitoba	$1,833
Expenditures:	
Indemnities	1,833
Balance, March 31, 1989	$ —

(C) During this fiscal year the Corporation administered the Canada-Manitoba Greenfeed Program on behalf of the Manitoba Department of Agriculture. Under the terms of agreement, program expenditures are cost shared between Canada and Manitoba (50/50) while the administrative expenses are paid entirely by Manitoba. Canada's share of the expenditures is remitted directly to the Province. For the fiscal year ended March 31, 1989 the related transactions are as follows:

Receipts:	
Expenditures recovered from the Government of the Province of Manitoba	$9,039,665
Expenditures:	
Incentive payments	8,437,013
Administrative expenses	602,652
	9,039,665
Balance, March 31, 1989	$ —

Schedule 1
All-Risk Insurance Program

Summary of Participation, Premiums and Indemnities Paid

Year	Contracts In Force	Farmers' Share of Premium	Calculated Premium	Indemnities Paid	Accumulated Loss Ratio
		$	$	$	$
1960-61	2,472	255,487.33	319,359.16	87,082.62	.27
1961-62	3,654	434,782.96	543,478.70	1,586,405.96	1.93
1962-63	4,413	684,249.32	855,311.65	531,503.82	1.28
1963-64	5,142	816,901.42	1,021,126.77	1,242,164.72	1.25
1964-65	6,141	940,990.35	1,176,237.93	279,343.44	.95
1965-66	8,610	1,296,463.67	1,620,579.58	398,792.86	.74
1966-67	12,915	1,756,916.97	2,196,144.96	796,359.58	.64
1967-68	14,116	2,065,443.42	2,753,924.56	729,116.62	.54
1968-69	14,481	2,324,400.17	3,099,200.23	2,288,456.09	.58
1969-70	14,236	1,945,210.01	2,593,613.34	3,726,865.42	.72
1970-71	13,669	1,505,169.60	2,006,892.80	2,061,453.99	.75
1971-72	13,233	2,187,302.66	2,916,403.54	1,018,391.38	.70
1972-73	11,945	1,895,837.31	2,527,783.08	983,097.98	.67
1973-74	13,585	2,135,628.65	4,271,257.30	2,216,532.99	.64
1974-75	13,878	2,846,582.08	5,693,164.16	8,299,434.60	.78
1975-76	14,199	4,785,416.42	9,570,832.84	9,338,852.32	.82
1976-77	14,583	5,630,841.95	11,261,683.90	8,881,807.46	.81
1977-78	18,016	9,384,728.63	18,769,457.26	5,590,626.17	.68
1978-79	15,950	8,273,606.39	15,547,212.78	6,445,393.25	.63
1979-80	17,275	8,355,799.19	16,711,598.38	11,177,129.50	.64
1980-81	14,176	9,763,057.22	19,526,114.44	55,288,685.65	.98
1981-82	14,633	12,035,890.51	24,071,781.02	18,770,255.07	.95
1982-83	14,087	13,256,058.66	26,512,117.32	22,600,352.08	.93
1983-84	13,837	13,329,863.46	26,659,726.92	22,297,580.28	.92
1984-85	14,087	15,028,396.00	30,056,792.00	29,543,011.70	.93
1985-86	14,723	21,827,710.36	43,655,420.72	33,287,622.21	.90
1986-87	14,671	21,509,050.62	43,018,101.24	36,561,653.98	.89
1987-88	14,070	16,530,549.23	33,061,098.46	27,921,710.40	.89
1988-89	14,068**	19,188,419.21	38,376,838.42	117,923,806.33	1.11

* The calculated premium represents the farmers' share plus the Government of Canada contribution.

** Of the 14,068 contracts, 12,726 were operator contracts, the remainder were landlord contracts. It is estimated that there were 17,174 farm operators eligible for insurance in Manitoba in 1988. On this basis it is estimated that the Corporation is insuring approximately 74.1% of eligible producers.

Schedule 2
Additional Hail Insurance Program

Summary of Premiums Received and Indemnities Paid

Year	Contracts	Per Cent of Seeded Crops Insured	Premium Earned	Indemnities Paid	Accumulated Loss Ratio
1970-71	1,583	12.6	$ 114,298.29	$ 112,830.73	.99
1971-72	2,668	21.1	279,918.78	80,115.04	.49
1972-73	2,443	22.2	270,917.12	70,473.72	.40
1973-74	3,626	27.4	550,019.03	616,955.74	.72
1974-75	3,681	27.8	684,576.77	423,160.85	.69
1975-76	4,411	31.7	902,833.45	1,239,490.88	.91
1976-77	4,263	30.2	1,029,237.80	1,197,152.76	.98
1977-78	4,751	26.9	1,261,470.79	1,231,459.60	.98
1978-79	5,062	33.3	1,700,062.19	1,825,162.41	1.00
1979-80	4,260	31.3	1,683,214.65	997,933.30	.92
1980-81	3,518	25.5	1,552,265.42	1,042,709.39	.88
1981-82	4,435	31.2	2,273,062.75	2,266,443.64	.90
1982-83	4,686	34.4	3,196,098.48	2,557,615.60	.88
1983-84	5,104	38.1	3,520,848.66	3,038,093.36	.88
1984-85	6,079	44.1	4,603,874.08	7,728,089.16	1.03
1985-86	6,678	47.2	8,125,390.90	3,696,891.50	.88
1986-87	6,634	46.6	8,255,606.40	6,535,684.42	.87
1987-88	5,634	41.5	6,645,946.69	2,822,271.48	.80
1988-89	5,188	38.0	5,866,182.34	3,738,552.88	.78

Additional Hail Insurance Program

In 1988, Additional Hail insurance coverage was offered to All Risk contract holders for the nineteenth consecutive year. Some 5,188 farmers carried this insurance which represents 38.0 per cent of those who seeded insured crops.

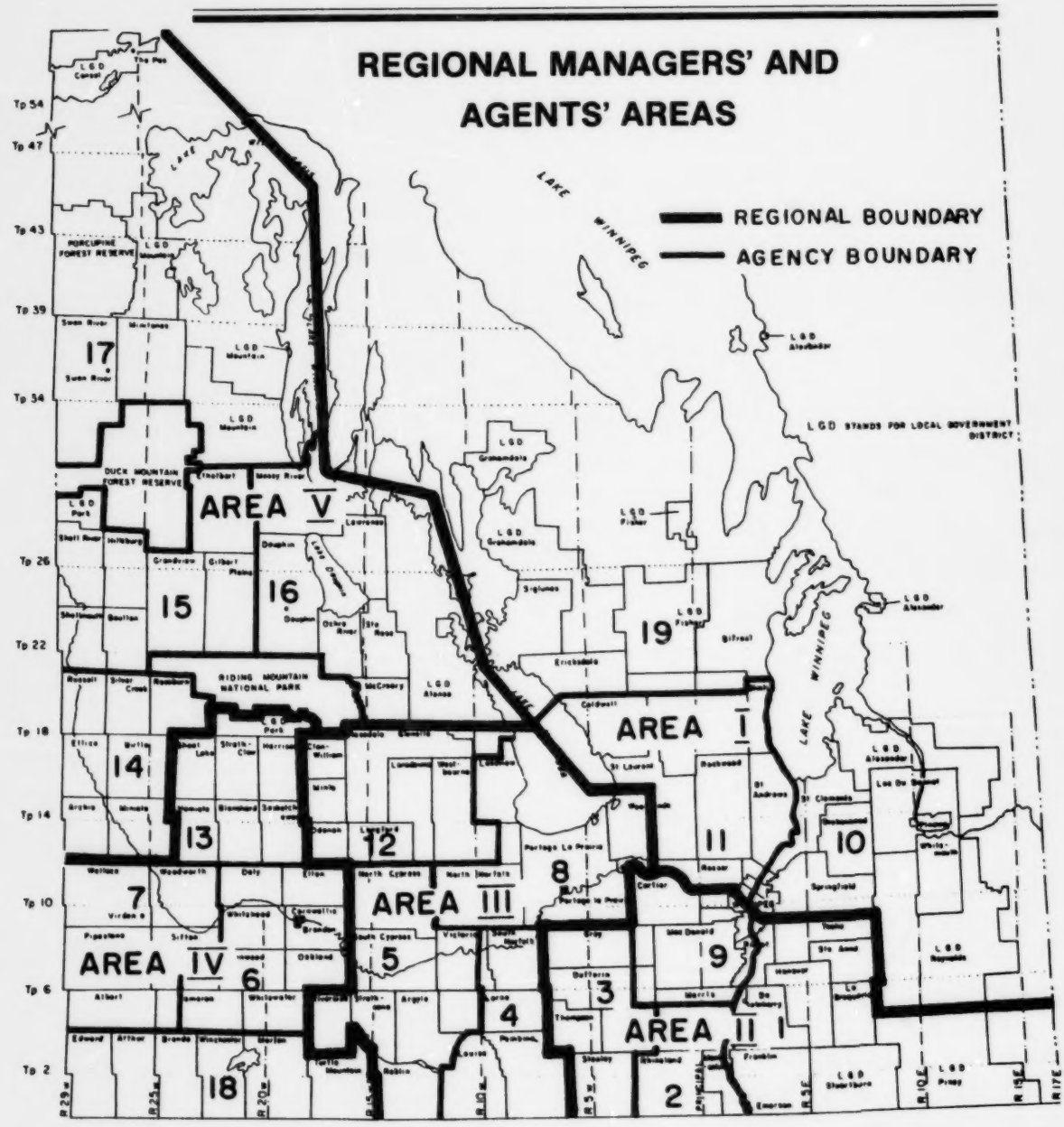
A total of 2.2 million acres were insured and carried a total liability of $182.6 million. Premium billings totalled $5,866,182 which amounts to 3.2 per cent of the liability. For every premium dollar billed, $0.64 was paid in settlement of claims.

Schedule 3

Summary of Insurance Written

for the Year Ended March 31, 1989

Crops	Acres	All Risk Premium	Coverage	Acres	Hail Spot Loss Premium	Coverage
Red Spring Wheat	2,366,029.5	5,105,925.84	155,989,877.11	2,166,158.3	1,362,567.52	143,522,020.37
Oats	180,579.8	294,692.24	5,671,356.48	157,508.0	44,501.98	5,026,502.34
Barley	708,007.0	961,504.61	32,447,655.51	640,600.6	293,125.08	29,507,398.81
Flax	401,303.2	1,132,607.89	23,504,921.13	382,366.3	190,582.87	22,501,833.82
Sugar Beets	19,964.7	217,500.98	7,079,743.94	17,183.3	33,032.53	6,051,766.72
Fall Rye	30,367.8	55,422.51	924,601.70	26,464.8	8,584.47	815,309.18
Argentine Rapeseed	949,373.8	4,247,396.20	80,275,466.94	891,840.2	1,091,064.44	75,574,214.15
Mustard	9,872.8	51,426.59	656,095.07	8,644.8	9,362.13	582,586.07
Sunflowers	56,241.1	171,107.34	3,879,793.02	52,772.1	37,909.96	3,645,328.02
Buckweat	19,286.6	141,047.31	976,103.34	18,395.6	22,012.36	926,316.94
Field Peas	114,291.4	380,143.39	10,254,084.43	111,966.4	165,570.48	10,050,601.39
Grain Corn	51,239.3	351,004.81	4,316,299.48	49,235.3	40,015.76	4,151,628.68
Potatoes	23,802.1	484,121.73	11,190,758.45	20,014.1	65,051.54	9,487,001.58
Mixed Grain	18,929.0	32,486.79	615,560.05	16,302.0	4,355.71	534,861.73
Durum Wheat	182,344.7	384,864.11	12,506,948.32	166,940.7	113,807.45	11,531,266.09
Forage Hay	43,655.8	219,720.65	1,933,926.03	38,206.4	12,556.21	1,723,805.35
Silage Corn	4,903.0	20,944.09	407,235.40	4,848.0	3,624.66	402,987.40
Utility Wheat	90,240.5	186,011.31	5,876,576.80	82,354.0	49,479.57	5,370,942.08
Lentils	12,801.9	73,252.80	927,955.78	12,611.9	9,829.23	912,803.28
Fababeans	10,970.8	48,245.03	571,189.70	10,750.8	6,496.17	558,731.70
Canaryseed	14,562.9	28,550.73	693,964.35	14,212.9	3,724.03	677,338.35
Field Beans	16,186.8	175,300.19	2,247,442.92	16,186.8	26,619.84	2,247,442.92
Triticale	-	-	-	-	-	-
Forage Hay Establishment	10,953.1	11,894.83	192,870.00	459.4	-	7,401.00
Unseeded Acreage	110,211.1	57,860.67	2,454,970.50	-	-	-
Pedigreed Timothy Seed	10,269.5	25,906.85	396,201.77	9,866.5	3,687.13	381,155.77
Soybeans	546.0	3,314.79	50,727.50	476.0	528.85	43,990.00
Ped. Tim. Seed Est.	2,152.0	3,220.69	45,400.00	-	-	-
Winter Wheat	3,660.5	7,205.39	188,805.28	3,174.5	1,767.60	166,771.86
Polish Rapeseed	153,628.4	538,081.24	8,681,271.57	141,873.5	112,317.84	8,063,561.56
Pedigreed Alfalfa Seed	4,606.0	25,907.70	424,980.50	4,351.0	4,974.27	401,130.50
Ped. Alfa. Seed Est.	927.9	1,351.09	19,636.00	37.4	-	1,496.00
Rutabagas	95.0	3,118.85	52,003.00	95.0	624.15	52,003.00
Onions (Cooking)	120.0	6,924.24	82,461.60	120.0	1,123.36	82,461.60
Carrots (Table)	54.0	1,373.76	42,249.60	54.0	253.26	42,249.60
Parsnips	34.0	668.44	23,609.60	34.0	141.78	23,609.60
Carrots (Processing)	27.0	882.63	25,833.60	27.0	154.98	25,833.60
Total all Crops	5,622,239.0	15,450,988.31	375,628,576.47	5,066,131.6	3,719,447.21	345,094,351.06



Regional Managers:

Area I - H.F. Popoff — Stonewall
Area II - W.J. Moffat — Sanford
Area III - H.A. Hamilton — Portage la Prairie
Area IV - D.A. Benzie — Souris
Area V - W.J. Wowchuk — Dauphin

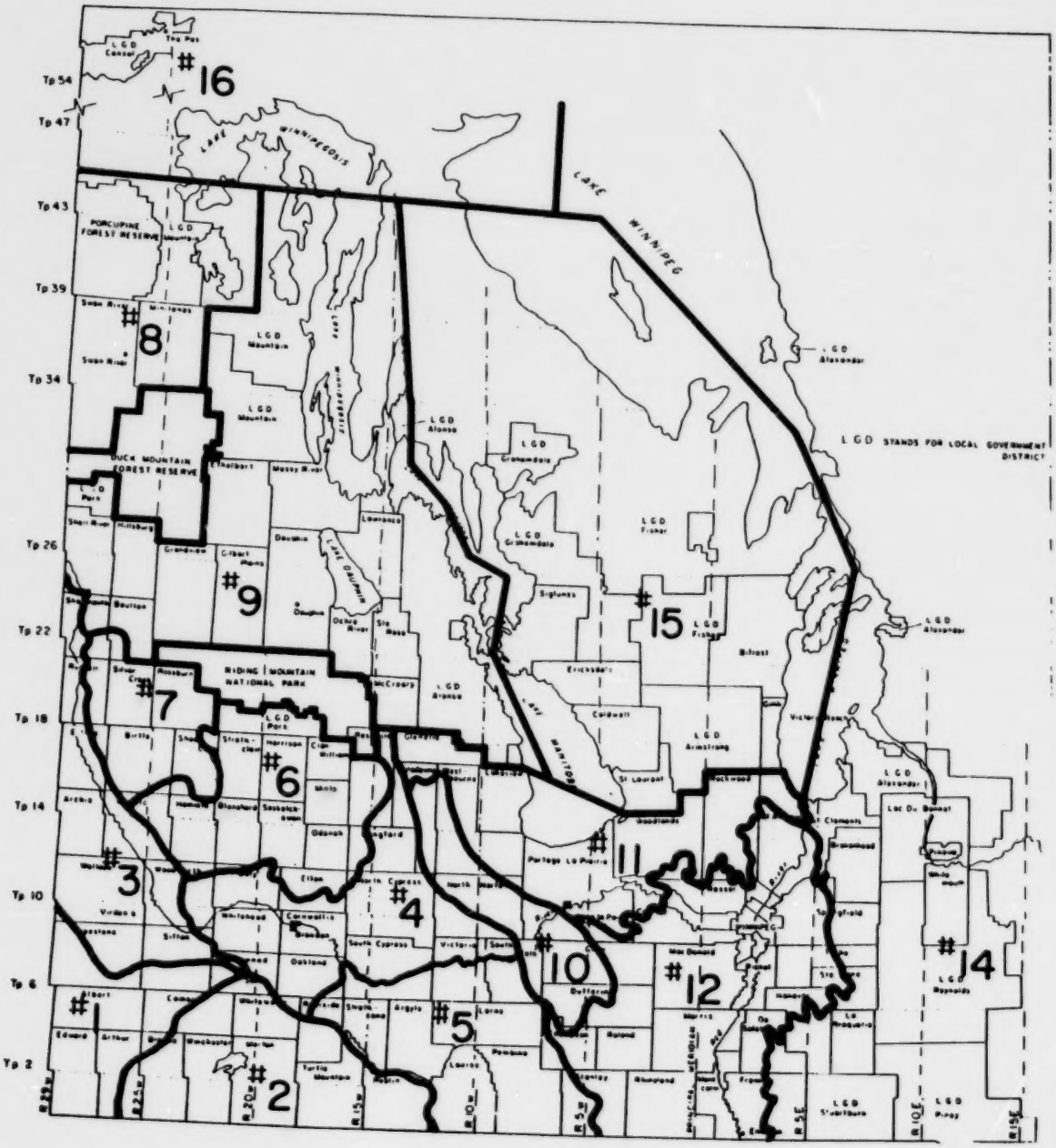
Area Agents:

01 G.L. Loeppky — St. Pierre
02 B.D. Hildebrand — Altona
03 K.K. Porter — Carman
04 A.D. McPhee — Somerset
05 D.W. East — Glenboro
06 L.G. Perrin — Souris
07 L.B. Collier — Virden
08 G.R. Small — Portage la Prairie
09 C.L. Jessen — Sanford

Area Agents: (continued)

10 L.E. Zieske — Beausejour
11 L.D. Ciszewski — Stonewall
12 T.K. Girling — Neepawa
13 K.L. Tiller — Hamiota
14 W.F. McKerchar — Birtle
15 T.K. Britton — Grandview
16 A.N. Kotyk — Dauphin
17 G.E. McClintock — Swan River
18 J.M. Park — Deloraine
19 C. Bernier — Fisher Branch

RISK AREAS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LAKE WINNIPEGOSIS
LAKE WINNIPEG
PORCUPINE FOREST RESERVE
DUCK MOUNTAIN FOREST RESERVE
RIDING MOUNTAIN NATIONAL PARK
LAKE DAUPHIN
LAKE MANITOBA
L G D STANDS FOR LOCAL GOVERNMENT DISTRICT
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